

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

[Item #18 \(Rev. 1\)](#)

Agenda ID# 23926

RESOLUTION E-5405

January 15, 2026

ENERGY DIVISION

R E S O L U T I O N

Resolution E-5405. Addressing San Diego Gas & Electric Non-Officer Compensations Costs. San Diego Gas & Electric Advice Letter 4628-E-A / 3410-G-A on non-officer compensation costs related to Vice President, People and Culture for recovery pursuant to test year 2024 General Rate Case Decision 24-12-074.

PROPOSED OUTCOME:

- Approves, with modifications, proposals for non-officer compensation costs by San Diego Gas & Electric (SDG&E).
- SDG&E shall implement 2024, 2025, and 2026 revenue requirements into gas and electric rates by February 1, 2026, and the 2027 revenue requirement by January 1, 2027.

SAFETY CONSIDERATIONS:

- ~~There are~~ No safety considerations [are](#) associated with this resolution.

ESTIMATED COST:

- The approved \$282,983 in Operations and Maintenance (O&M) expenses equates to a revenue requirement of \$265,000 for 2024.
- The approved revenue requirement for the GRC cycle (2024-2027)¹ is \$1,111,000 (\$793,000 for electric and \$318,000 for gas).²
- The rate and bill impact on electric and gas customers are minimal.

¹ The approved revenue requirement for the post test years (2025-2027) is calculated by applying the adopted escalation rate of 3% year over year to the Test Year 2024 Base Margin. This amount is without Franchise Fees and Uncollectibles (FF&U). Then the FF&U is calculated by multiplying the Base Margin (without FF&U) with the authorized FF&U factor.

² The 2024–2026 revenue requirement will be spread out over 12 months beginning no sooner than February 1, 2026, with the 2027 revenue requirement implemented through SDG&E's consolidated year-end advice letter.

By Advice Letter SDG&E 4628-E/3410-G filed on March 19, 2025, as supplemented (4628-E-A/3410-G-A) March 27, 2025.

SUMMARY

This Resolution approves, with modifications, San Diego Gas & Electric Company's (SDG&E) proposals for recovery of non-officer compensation costs associated with the Vice President, People and Culture position, pursuant to the Test Year 2024 General Rate Case Decision (D.) 24-12-074.

This Resolution approves, in part, SDG&E's Tier 2 Advice Letter (AL) 4628-E-A / 3410-G-A, filed on March 27, 2025, requesting recovery of \$423,308 in non-officer compensation-related Operations & Maintenance (O&M) expenses for Test Year 2024 associated with the Vice President, People and Culture position. The requested \$423,308 in O&M expenses for gas and electric equate to \$395,000 in revenue requirement for 2024. SDG&E also requested revenue requirements for the post-test years of the General Rate Case cycle in the amounts of \$407,000 for 2025, \$418,000 for 2026, and \$431,000 for 2027.³

The Commission authorizes SDG&E to recover \$282,983 for non-officer compensation costs related to Vice President, People and Culture, for test year 2024 consistent with historical cost trends. This reflects a reduction in employee food service expenses and the exclusion of professional membership expenses from recovery. The Commission authorizes the revenue requirement for the post-test years (2025–2027) to be calculated by applying a 3% annual escalation rate to the adopted Test Year 2024 base margin.

BACKGROUND

On December 19, 2024, the California Public Utilities Commission (Commission) issued D.24-12-074, approving SDG&E's Test Year (TY) 2024 General Rate Case (GRC). That decision adopted a zero-dollar forecast for the compensation and related costs of the Vice President of People and Culture, finding that the position constitutes an executive officer role under Resolution E-4963 and that SDG&E did not demonstrate recovery eligibility.

³ Advice Letter 4628-E-A / 3410-G-A at 2 & 3.

In accordance with Public Utilities Code section 706,⁴ Resolution E-4963 prohibits recovery of compensation costs for utility officers, including Vice Presidents who oversee administrative functions.⁵ D.24-12-074 allowed SDG&E to submit a Tier 2 Advice Letter within 90 days to seek recovery of allowable non-officer compensation-related costs for this position.

On March 27, 2025, SDG&E filed Advice Letter 4628-E-A / 3410-G-A⁶, superseding its earlier filing from March 19, 2025. In this supplemental AL, SDG&E seeks to recover \$423,308 in O&M costs for test year 2024 associated with various functions of the People and Culture Vice President office, including training, office supplies, and employee recognition. Table 1 below presents SDG&E's requested revenue requirement for the 2024–2027 GRC cycle.

Table 1: SDG&E Revenue Requirement Request 2024-2027⁷

Revenue Requirement (\$ thousands)	2024	2025	2026	2027
Electric	\$281	\$290	\$297	\$307
Gas	\$114	\$117	\$121	\$124
Total	\$395	\$407	\$418	\$431

NOTICE

Notice of AL 4628-E-A / 3410-G-A was made by publication in the Commission's Daily Calendar. SDG&E states that a copy of the advice letter was mailed and distributed in accordance with Section IV of General Order 96-B.

PROTESTS

No protests were filed.

⁴ Public Utilities Code § 706

(a) For purposes of this section, "compensation" means any annual salary, bonus, benefits, or other consideration of any value, paid to an officer of an electrical corporation or gas corporation.

(b) An electrical corporation or gas corporation shall not recover expenses for compensation from ratepayers. Compensation shall be paid solely by shareholders of the electrical corporation or gas corporation.

⁵ Resolution E-4963 at 8.

⁶ [SDG&E Advice Letter 4628-E-A/3410-G-A](#)

⁷ AL 4628-E-A / 3410-G-A at 3.

DISCUSSION

The Commission has reviewed SDG&E's request to recover \$423,308 in non-officer compensation-related O&M costs associated with the Vice President of People and Culture role. In its TY 2024 GRC application, SDG&E originally requested \$1.02 million for this position. However, D. 24-12-074 disallowed \$300,000 in executive catering costs and \$297,267 in officer compensation, setting the forecast at \$0 for the role due to a lack of justification under Resolution E-4963.⁸ SDG&E was instead directed to submit a post-decision Tier 2 Advice Letter, which it has done through AL 4628-E-A / 3410-G-A, to seek recovery of non-officer compensation costs.

The Commission finds that SDG&E has partially justified recovery of some requested costs. While some of the cost categories show reductions or alignment with historical averages, others reflect significant increases, particularly employee luncheons/food services and professional memberships, which significantly exceed the authorized five-year average (2019-2023). The Commission finds that SDG&E's requested ~~amount is about 40 percent higher than the five year average of authorized~~ non-officer compensation costs ~~(\$302,600), and some~~ include certain categories ~~are inconsistent with historical norms. For example, SDG&E requests \$235,863 for that reflect increases relative to prior spending levels. In particular, the requested~~ employee luncheons and food services, ~~which is more than 45 times the historical average.⁹ It also seeks \$22,395 for professional memberships, which is seven times the average~~ costs represent a substantial increase that SDG&E has not justified as reasonable and necessary for utility operations.

After consideration of the various cost categories, the Commission approves \$282,983 in non-officer compensation costs for TY 2024. This amount includes a 50 percent reduction on the employee luncheons and food service category as SDG&E's requested amount ~~significantly~~ exceeds the historical average and lacks sufficient justification to demonstrate that such expenditures at the amount requested are necessary or reasonable for utility operations.

With the exception of State Bar of California professional license expenses all costs for professional memberships and organizations are disallowed, consistent with the

⁸ D. 24-12-074 at 768-770.

⁹ ~~SDG&E's 4/18/2025 response to Energy Division Data request 2. SDG&E's Test Year (TY) 2019 GRC Decision (D.19-09-051). For the test year, SDG&E took the authorized amount in 2016\$ and escalated to 2019\$ using the adopted escalation rates (D.19-09-051 at page 671) from the TY 2019 GRC Cost Escalation witness' testimony then applied the adopted attrition rates to impute the authorized amounts for 2020-2023.~~

disallowance of similar costs in D.24-12-074. This decision denied recovery of similar professional membership expenses on the grounds that the associated costs did not demonstrate benefit to ratepayers. In that decision, the Commission disallowed costs for memberships in the Hydrogen Council,¹⁰ the Edison Electric Institute,¹¹ and the American Gas Association,¹² finding that these expenses primarily supported industry advocacy or general policy development, rather than activities directly tied to utility operations or ratepayer interests. SDG&E's professional memberships and organizations costs include Chief VP Level Annual Membership,¹³ ~~State Bar of California Dues Online Renewal,~~¹⁴ and the Conference Board.¹⁵ These costs reflect discretionary professional development expenses that primarily benefit individual employees rather than ratepayers and therefore excluded from rate recovery.

The remaining cost categories are approved at the levels requested by SDG&E.

Table 2: SDG&E non-compensation O&M costs: Requested vs Approved

	SDG&E Request	Approved in Resolution E-5405
Non-Officer FTE Compensation	\$40,535	\$40,535
Employee Recognition Activities	\$59,771	\$59,771
Materials - Office Supplies and Equipment	\$4,412	\$4,412
Food Service	\$235,863	\$117,931
Employee Training and Services	\$60,333	\$60,333
Professional Memberships & Organizations	\$22,395	\$0
Total Non-Officer Compensation Costs Requested for Recovery	\$423,308	\$282,983

Table 3 presents the approved revenue requirement for the 2024–2027 GRC cycle.

Table 3: Requested vs Approved Revenue Requirement 2024-2027¹⁶

¹⁰ D.24-12-074 at 314.

¹¹ D.24-12-074 at 771.

¹² D.24-12-074 at 759.

¹³ Chief is a private leadership network focused on executive coaching and networking, which is valuable for individual professional growth.

¹⁴ ~~State Bar dues support an individual employee's professional licensure.~~

¹⁵ The Conference Board offers broad economic and workforce research available through many public or lower-cost sources.

¹⁶ SDG&E's May 30, 2025, response to Energy Division Data Request.

SDG&E Request					Approved in Resolution E-5405			
Revenue Requirement (\$ thousands)	2024	2025	2026	2027	2024	2025	2026	2027
Electric	\$281	\$290	\$297	\$307	\$189	\$195	\$201	\$208
Gas	\$114	\$117	\$121	\$124	\$76	\$78	\$81	\$83
Total	\$395	\$407	\$418	\$431	\$265	\$273	\$282	\$291

COMMENTS

Public Utilities Code section 311(g)(1) provides that this Resolution must be served on all parties and subject to at least 30 days public review. Any comments are due within 20 days of the date of its mailing and publication on the Commission's website and in accordance with any instructions accompanying the notice. Section 311(g)(2) provides that this 30-day review period and 20-day comment period may be reduced or waived upon the stipulation of all parties in the proceeding.

The 30-day review and 20-day comment period for the draft of this resolution was neither waived nor reduced. Accordingly, ~~this~~the draft resolution was mailed to parties for comments ~~and will be placed on the Commission's agenda no earlier than 30 days from today~~on December 12, 2025.

On January 2, 2026, SDG&E filed its comment on draft resolution. First, SDG&E argues that the draft resolution improperly relies on a comparison between forecast test year 2024 costs and imputed, non-reviewed 2019–2023 amounts to justify a reduction to employee luncheons and food services costs, asserting that such comparisons are more appropriately addressed in Risk Spending Accountability Reports rather than in a rate-setting decision. Second, SDG&E requests that mandatory professional license fees, specifically State Bar dues, be allowed, contending that these costs are not discretionary, are required for attorneys to perform their job duties, provide benefits to ratepayers through the use of in-house counsel, and are recognized as recoverable under Public Utilities Code Section 748.3, effective January 1, 2026.¹⁷ SDG&E confirmed that it is not seeking recovery of State Bar renewal fees for Test Year 2024.¹⁸ The resolution is modified accordingly. The Commission finds that no adjustment to the authorized costs or revenue requirement is required.

¹⁷ Comments of San Diego Gas & Electric Company on Draft Resolution E-5405, at pg. 2-5.

¹⁸ SDG&E's January 6, 2026, response to Energy Division Data Request.

FINDINGS AND CONCLUSIONS

1. D.24-12-074 directed San Diego Gas & Electric to file a Tier 2 Advice Letter within 90 days to seek recovery of allowable non-officer compensation-related costs ~~related to~~ associated with Vice President, People and Culture position.
2. SDG&E filed Advice Letter 4628-E-A / 3410-G-A on March 27, 2025, superseding its earlier filing from March 19, 2025
3. The Advice Letter seeks recovery in non-officer compensation-related O&M costs for the Vice President, People and Culture role. This translates to \$395,000 in revenue requirement for Test Year 2024. Based on the adopted 2024 GRC Results of Operations Model, SDG&E requests \$1.7 million revenue requirement (\$1.2 million for electric and \$476 thousand for gas) for the GRC cycle 2024 to 2027.
4. Resolution E-4963 prohibits recovery of compensation for executive officers.
5. It is reasonable to approve \$282,983 O&M expense, reflecting reductions to SDG&E's proposed costs for employee luncheons/food service and the disallowance of costs for professional memberships.
6. The reduction to employee luncheons/food service is reasonable because SDG&E's requested amount ~~significantly~~ exceeds the five-year historical average and lacks sufficient justification to demonstrate that such expenditures at the amount requested are necessary or reasonable for utility operations.
- ~~7. The disallowance for professional memberships costs is reasonable because the associated organizations primarily engage in activities that primarily benefit individual employees rather than ratepayers.~~
- ~~8.~~ 7. The revised amount results in minimal ratepayer impacts.

THEREFORE IT IS ORDERED THAT:

1. The request of San Diego Gas & Electric Company to recover non-officer compensation-related O&M costs, as requested in Advice Letter 4628-E-A / 3410-G-A, is approved in part.

2. SDG&E is authorized to recover \$282,983 for 2024 in non-officer compensation-related O&M expenses for 2024 associated with the Vice President, People and Culture position. This translates to \$265,000 in revenue requirement for 2024. SDG&E is authorized to apply 3% escalation rate for the post test years (2025-2027) revenue requirement. SDG&E is authorized to recover \$1.1 million revenue requirement (\$793,000 for electric and \$318,000 for gas) for the GRC cycle 2024 to 2027, as outlined in Table 3.

3. SDG&E shall implement the revenue requirement amounts for 2024, 2025, and 2026 in accordance with its proposal, with cost recovery to begin no earlier than February 1, 2026, through its next available rate adjustment filing or consolidated year-end advice letters. SDG&E shall implement the 2027 revenue requirement amount in accordance with its proposal, with cost recovery to begin no earlier than January 1, 2027.

This Resolution is effective today.

The foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on January 15, 2026; the following Commissioners voting favorably thereon:

Commissioner Signature blocks to be added
upon adoption of the resolution

Dated January 15, 2026, at San Francisco, California